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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-52978

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

50 Donald B. Dean Drive, Suite One
(No. and Street)
South Portland ME 04106
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Clark, Friel and Joyce, P.A.
(Name - if individual, state last, first, middle name)
128 Auburn Street Portland ME 04103
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 12 2009

THOMSON REUTERS

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Neal P. Richard, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Allegiance Capital, LLC, as of December 31, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Priscilla E Gillespie
NOTARY PUBLIC
State of Maine
My Commission Expires 11/17/2012

Neal P. Richard
Signature

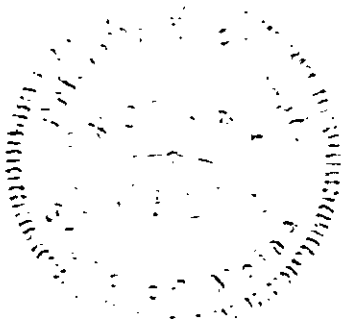
FINANCIAL OPERATIONS PRINCIPAL
Title

Priscilla E Gillespie
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



Allegiance Capital, LLC

FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007

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CLARK, FRIEL

— and —
JOYCE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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Dana C. Clark, CPA, MST
Suzanne Friel, CPA, MST
M. Patrick Joyce, CPA

Independent Auditors' Report

Allegiance Capital, LLC
50 Donald B. Dean Drive Suite 1
South Portland, ME 04106

We have audited the accompanying statements of financial condition of Allegiance Capital, LLC (a limited liability company) as of December 31, 2008 and 2007, and the related statements of income, changes in members' equity and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allegiance Capital, LLC at December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Friel and Joyce, P.A.

Clark, Friel and Joyce, P.A.
February 23, 2009

Allegiance Capital, LLC
STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$123,849	\$ 78,953
Accounts receivable	2,236	9,535
Prepaid expenses	<u>14,814</u>	<u>4,000</u>
Total current assets	<u>140,899</u>	<u>92,488</u>
PROPERTY AND EQUIPMENT		
Furniture (net of accumulated depreciation of \$1,350 in 2008 and 2007)	<u>-</u>	<u>-</u>
OTHER ASSET		
Cash and cash equivalents - restricted	<u>25,000</u>	<u>25,000</u>
	<u>\$165,899</u>	<u>\$117,488</u>
 LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 5,579	\$ 8,522
Due to affiliate	<u>93,626</u>	<u>60,711</u>
Total current liabilities	99,205	69,233
MEMBERS' EQUITY	<u>66,694</u>	<u>48,255</u>
	<u>\$165,899</u>	<u>\$117,488</u>

The accompanying notes are an integral part of these statements.

Allegiance Capital, LLC
 STATEMENTS OF INCOME
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Commissions and consulting	\$523,888	\$395,567
Miscellaneous income	-	35,000
Interest income	<u>3,359</u>	<u>4,443</u>
Total revenues	<u>527,247</u>	<u>435,010</u>
OPERATING EXPENSES		
Brokerage, exchange and clearance fees	155,126	119,781
Filing fees	5,768	4,202
Insurance	3,316	4,159
Interest expense	22	141
Professional fees	13,942	12,718
Rent	39,875	33,364
Management fees	231,685	172,909
Commissions	11,238	37,674
Licenses	-	850
Telephone	7,242	8,476
Office expenses	26,580	11,399
Repairs and maintenance	62	446
Taxes - other	200	105
Bad debts	389	-
Miscellaneous	<u>418</u>	<u>3,189</u>
Total operating expenses	<u>495,863</u>	<u>409,413</u>
NET INCOME	<u>\$ 31,384</u>	<u>\$ 25,597</u>

The accompanying notes are an integral part of these statements.

Allegiance Capital, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$48,255	\$80,145
Net income	31,384	25,597
Members' distributions (net)	<u>(12,945)</u>	<u>(57,487)</u>
Balance, end of year	<u>\$66,694</u>	<u>\$48,255</u>

The accompanying notes are an integral part of these statements.

Allegiance Capital, LLC
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ <u>31,384</u>	\$ <u>25,597</u>
Adjustments to reconcile net income to net cash provided by operating activities		
Decrease in accounts receivable	7,299	15,788
Increase in prepaid expenses	(10,814)	(1,150)
Decrease in accounts payable	(2,943)	(4,475)
Increase (decrease) in due to affiliate	<u>32,915</u>	<u>(8,477)</u>
Total adjustments	<u>26,457</u>	<u>1,686</u>
Net cash provided by operating activities	57,841	27,283
CASH FLOWS FROM FINANCING ACTIVITIES		
Members' distributions (net)	<u>(12,945)</u>	<u>(57,487)</u>
INCREASE (DECREASE) IN CASH	44,896	(30,204)
Cash, beginning	<u>103,953</u>	<u>134,157</u>
Cash, ending	<u>\$148,849</u>	<u>\$103,953</u>
SUPPLEMENTAL DISCLOSURE REGARDING CASH FLOWS		
Interest paid	\$ 22	\$ 141

The accompanying notes are an integral part of these statements.

Allegiance Capital, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a broker-dealer registered with the Security and Exchange Commission (SEC) and the Financial Industry Regulatory Association (FINRA). The Company is a limited liability company organized in Maine.

Accounts Receivable

Bad debts are charged to operations in the year in which the account is determined uncollectible. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on the financial statements.

Depreciation

Property and equipment are stated at cost. Additions, renewals and betterments, unless of relatively minor amounts, are capitalized.

Depreciation is computed by using the method used for income tax purposes, which is an accelerated method over a statutory recovery period of seven years. If the straight-line basis using estimated useful lives were used, it would not have a material effect on the financial statements. Depreciation expense for the years ended December 31, 2008 and 2007 was \$-0-.

When property and equipment is sold or retired, the related cost and any accumulated depreciation is removed from the accounts and any gain or loss is included in operations.

Income Taxes

The Company is treated as a partnership for income tax purposes. Under subchapter K of the Internal Revenue Code, each member is taxed separately on their distributive share of the Partnership's income whether or not that income is actually distributed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts during the reporting period and at the date of the financial statements. Actual results could differ from those estimates.

Allegiance Capital, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days and is not held for sale in the ordinary course of business.

Commissions

Commissions and related clearing expenses are recorded on a settlement-date basis as securities transactions occur.

Advertising Costs

Advertising costs are charged to operations when incurred.

NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1).

RELATED PARTY TRANSACTIONS

The Allegiance Financial Group, Inc., AFX Global Advisors, Inc., and Marlin Enterprises, LLC are related parties to the Company due to common ownership.

During the years ended December 31, 2008 and 2007, the Company paid to Allegiance Financial Group, Inc. a management fee of \$231,685 and \$172,909, respectively.

The Company and Allegiance Financial Group, Inc. share office space, computer equipment, furniture and other related expenses. Allegiance Financial Group, Inc. pays for all of the expenses and is then reimbursed by the Company for its proportionate share of those expenses. The total expenses reimbursed to Allegiance Financial Group, Inc. during the years ended December 31, 2008 and 2007 were \$73,082 and \$38,869, respectively.

At December 31, 2008 and 2007, the Company owed to Allegiance Financial Group, Inc. \$93,626 and \$60,711, respectively.

Allegiance Capital, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

DEPOSITS HELD BY FINANCIAL INSTITUTIONS

At year-end, the carrying amount of the Company's deposits was \$148,849 and the bank balance was \$148,727. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the Company in its name	\$ 8,792
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Amount collateralized with securities held by the pledging financial institution's trust department in the Company's name	-
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Amount uninsured and uncollateralized	<u>139,935</u>
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Total bank balance	<u>\$148,727</u>
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The uninsured and uncollateralized were held at Pershing.

Allegiance Capital, LLC
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
December 31, 2008

NET CAPITAL

Total members' equity from statement of financial condition	\$66,694
Deduct members' equity not allowable for net capital	<u>-</u>

Total members' equity qualified for net capital	66,694
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Add:

Subordinated borrowings allowable in computation of net capital	-
Other (deductions) or allowable credits	<u>-</u>

Total members' equity and subordinated borrowings	66,694
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Deductions and/or charges:

Nonallowable assets	
Accounts receivable	-
Prepaid expenses	14,814
Furniture (net of accumulated depreciation)	-
Start-up costs (net of accumulated amortization)	-
Secured demand note deficiency	-
Commodity futures contracts and spot commodities - propriety capital charges	-
Other deductions and/or charges	<u>(14,814)</u>

Net capital before haircuts on securities positions	51,880
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Haircuts on securities (computed, where applicable,
pursuant to 15c3-1(f)):

Contractual securities commitments	-
Subordinated securities borrowings	-
Trading and investment securities:	
Exempted securities	-
Debt securities	-
Options	-
Other securities	-
Undue concentration	<u>-</u>

Net capital	<u>\$51,880</u>
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Aggregate Indebtedness

Total aggregate indebtedness liabilities from statement of financial condition	\$ -
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Add:

Drafts for immediate credit	-
Market value of securities borrowed for which no equivalent value is paid or credited	-
Other unrecorded amounts	<u>-</u>

Total aggregate indebtedness	<u>\$ -</u>
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Percentage of aggregate indebtedness to net capital	0%
-----------------------------------------------------	----

Allegiance Capital, LLC
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION (CONT.)
December 31, 2008

Computation of Basic Net Capital Requirement

Minimum net capital required (6-2/3% of total aggregate indebtedness)	\$ -
Minimum net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with rule 15c3-1	<u>5,000</u>
Net capital requirement (greater of above minimums)	5,000
Excess net capital (net capital less total aggregate indebtedness)	<u>46,880</u>
Net capital	<u>\$51,880</u>

There is no material difference between the audited Computation of Net Capital and the corresponding unaudited Part IIA of the Form X-17A-5 FOCUS report.

END